Calendar No. 756

100th CONGRESS *2d Session*	SENATE	REPORT 100-396

TO MODERNIZE UNITED STATES CIRCULATING COIN DESIGNS, OF WHICH ONE REVERSE WILL HAVE A THEME OF THE BICENTENNIAL OF THE CONSTITUTION

REPORT

OF THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

TO ACCOMPANY

S. 1776

JUNE 23, 1988.—Ordered to be printed

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JUNE 23, 1988.—Ordered to be printed

Mr. PROXMIRE, from the Committee on Banking, Housing, and Urban Affairs, submitted the following

REPORT

[To accompany S. 1776]

INTRODUCTION

The Senate Committee on Banking, Housing, and Urban Affairs, to which was referred the bill (S. 1776) to authorize the Secretary of the Treasury to modernize United States circulating coin designs, approved the bill on May 24, 1988, with amendments, reports favorably thereon and recommends that the bill as amended do pass.

PURPOSE OF THE LEGISLATION

S. 1776, as amended and approved by the Senate Committee on Banking, Housing, and Urban Affairs, authorizes the redesign of the reverses of United States circulating coins. The first reverse redesigned shall have a design commemorating the 200th anniversary of the United States Constitution. Specific thematic representations, while not exclusive, are suggested for consideration. The portraits on the obverses of the coins shall be considered for redesign.

HISTORY OF THE LEGISLATION

The introduction of S. 1776 by Senator William Armstrong on October 8, 1987, was the culmination of years of advocating changing the designs on United States circulating coinage. Primary reasons given for supporting this legislation now were: (1) the current designs did not adequately represent American's values and ideals

today; and (2) that revenues generated from implementing this program would accrue to the government in the amount of $2–3 billion. The American Numismatic Association's Board of Governors passed a resolution on February 25, 1987 recommending changes in the designs of all five circulating U.S. coins.[1] The United States Commission of Fine Arts [2] also unanimously passed a resolution on April 16, 1987 advocating consideration, in a timely way, of changing the obverse and reverse designs of U.S. circulating coinage and to do so by invited compensated competition.

A hearing on this legislation was held by the Banking Committee on April 22, 1988. Although the Secretary of the Treasury has the discretionary authority to propose design changes once a design has been on either side of a coin for 25 years, the Department had been silent regarding this proposal.

(Mrs.) Elvira Clain-Stefanelli, the Executive Director of the National Numismatic Collection at the Smithsonian Institution, eloquently summed up the essence of the purpose of S. 1776 when she testified: "It is my personal conviction that our coinage could only gain if it were to express our notions of liberty, progress, freedom, and democracy in a way which could find an echo in the hearts of our own generation. And since any coinage is the emblem of its country, this new coinage should stand for the entire world as an inspiring testimony of our accomplishments and of our goals as a nation today." [1]

Also at that hearing, (Mrs.) Donna Pope, Director of the United States Mint, testified that the Treasury Department found generally nothing objectionable to this legislation. Mrs. Pope indicated that they believed it was possible, over a 6 year span, to implement new coin designs as prescribed in S. 1776. Mrs. Pope went on to outline the technical problems inherent with designing new coins, from the production of coin dies to trial strikes, to providing an adequate inventory for general release.

Mrs. Pope indicated that if the legislation were enacted by October 1988, Treasury would introduce the design commemorating the 200th anniversary of the Constitution on the quarter during the first year; change the design of the half-dollar the second year; replace the commemorative design on the quarter with a new design the third year; change the nickel the fourth year; the dime the fifth year; and the penny would change in the sixth year.

Mrs. Pope indicated that each of the six design changes is expected to cost approximately $125,000 for engraving and production testing. In addition, an estimated $7.1 million would be required to produce the additional coins needed over the six-year phase-in

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[1] The American Numismatic Association is a federally chartered nonprofit educational organization of approximately 35,000 members. ANA was founded on October 7, 1891. President Taft signed legislation granting it a federal charter on May 9, 1912. Pub. L. No. 62–147, 36 Stat. 108. It is the world's largest organization for collectors of coins, tokens, medals and paper money.

[2] The Commission of Fine Arts is a federally-chartered organization established by Congress on May 17, 1910. 36 Stat. 371; 40 U.S.C. 104, 106. The Commission supplies artistic advice relating to the appearance of Washington, DC. It reviews the plans for all public buildings, parks, and other architectural elements in the Capital and for private structures in certain areas of the city. The Commission also provides advice to the Secretary of the Treasury with regard to coinage and medallic designs.

[1] From testimony presented before the Committee on Banking, Housing, and Urban Affairs, United States Senate, Washington, DC. April 22, 1988.

period. A public education campaign may be advisable also. This would necessitate adding these expenses to the Mint's budget.

In addressing the issue of numismatic interest in the new coins, and the revenues this would generate, Mrs. Pope went on to state that the temporary change in the reverse design of the Bicentennial quarter would add numismatic character to the quarter and the potential withdrawal of large numbers of this coin. It was pointed out that research done in 1987 revealed an abnormal removal of the 1976 Bicentennial of Independence quarters. Only 38 percent of the coins expected were present, based on normal attrition rates, due to the public pulling the coins out of circulation.

Based on that experience, Treasury estimated that, in addition to the approximately 1.4 billion quarters needed in each of the years 1990 and 1991, an estimated 12 percent withdrawal of the new coin in the first and second years will necessitate an increase in production of 170 million quarters in each of those two years. Through 1995, 985 million quarters would be needed above normal demand due to the high attrition of this seminumismatic coin.

With resepct to long-term design changes, the Mint anticipates a 6 percent withdrawal of the new design during the first year each newly designed coin is introduced. After this initial withdrawal, there would not be a significant demand for the redesigned coin, above normal requirements, until 8 years after the change. At that time, based on experience with the "wheat" cent, the old coins would be pulled out of circulation in increasing volume and would necessitate increased production of the new design(s).[1]

Mrs. Pope went on to say that if S. 1776 is enacted, Treasury beleives a total of 2.015 billion coins, above normal demand, over the 6 year period will be required. Existing coin production capacity, and planned equipment purchases and modifications would allow the Mint to meet coin demand through 1995, provided all other factors remain stable. Eight years after the redesign of the coinage, significant increases in demand could be expected, especially between the years 1998 and 2011.

In addressing the issue of revenue enhancements, Mrs. Pope pointed out that certain revenue enhancements would accrue as a result of design changes, derived from predicted increases in the sale of numismatic sets and from predicted increased seigniorage. Seigniorage refers to the difference between the face value of coin and its production costs. Based on analyses of past demand patterns, the Mint estimates that $224 million in additional seigniorage receipts would be generated in the first 6 years of the new designs. Seigniorage is often called the "profit" from coin production. It is not an on-budget receipt and does not directly offset expenditures. Seigniorage in itself does not reduce the budget deficit. As an off-budget miscellaneous receipt, it is subtracted from the amount of the annual deficit to determine how much money must be borrowed from the capital markets.

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[1] This estimate is based on a Research Triangle Institute analysis of the 1959 conversion from the "wheat" cent to the Lincoln Memorial cent, which did not reveal any preferential withdrawal of the "wheat" cent until the eighth year after the conversion. From testimony presented before the Committee on Banking, Housing, and Urban affairs, United States Senate, by Donna Pope, Director, United States Mint, Washington, DC. April 22, 1988.

By deceasing the amounts which must be borrowed from the public, it reduces the *interest* which must be paid on these borrowings. The Treasury's Comptroller has estimated that for every $100 million of seigniorage generated during 1987, $5.9 million in interest costs were saved. Consequently, the estimated $224 million in additional seigniorage that would be raised by the design changes mandated in S. 1776 would *reduce budget outlays* by approximately $2.2 million per year.

An additional $3 million per year over the six-year period could be realized in sales of uncirculated and proof sets of coins containing the newly redesigned coin(s). This increase in demand for new sets is estimated at about 500,000. While S. 1776 earmarks these funds for debt reduction, it is not necessary, as legislation already exists that require these fund to be deposited into the general fund of the Treasury to reduce the national debt. Section 5132(a)(1) of title 31, United States Code.

BACKGROUND [1]

EARLY HISTORY OF U.S. COINS

With the establishment of successful colonies in North America in the early 1600's, the colonists began to produce coins. The Massachusetts Bay Colony began producing silver shillings, sixpence, and threepence in 1652. With the adoption of the Articles of Confederation in 1778, States were permitted to issue their own coins, while Congress fixed a uniform standard of weights and measures. Only three of the 13 States chose to strike coins for circulation: Connecticut, Massachusetts, and New Jersey. Vermont, the 14th State, had struck coins before it entered the Union. Most of the States' coins were produced by private manufacturers under contract to the States. Massachusetts operated its own mint for 2 years—1787 and 1788.

The Federal Government, still organized under the Articles of Confederation, recognized the need for a standard coinage. On April 21, 1787, it ordered a copper coin to be produced (under private contract) under Federal inspection. The *Fugio* copper cents, which resulted from this action, is generally acknowledged to be the first coins produced by the United States Government. They are named for the Latin motto "Fugio" ("I fly") which appears on the coins' obverse. A sundial is depicted on the obverse, as well as the legend "Mind Your Business." This legend supposedly stresses the need for small business ventures. On the reverse are 13 linked rings to symbolize the 13 States, surrounding the legends "United States" and "We Are One." However, because of the confusion caused by the wide variety of coinage circulating—from English shillings to Spanish doubloons to privately issued tokens—the United States monetary system was established in 1792.[1]

The Act of April 2, 1792, signed by President George Washington, created the first United States Mint in the city of Philadel-

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[1] Source: *Coin World Almanac:* A Handbook for Coin Collectors, Fifth Ed., 1987. Amos Press, Inc., Sidney, OH 45365. 1987.

[1] The early history of attempts to develop coinage and establish a mint between 1775 and 1792 is well documented in Don Taxay's book, *The U.S. Mint and Coinage. An Illustrated History From 1776 to the Present.* Sanford J. Durst Numismatic Publications, New York, 1983.

phia, which was then the Nation's capital. Section 10 of the Act required that one side of each of the coins depict "an impression emblematic of liberty, with an inscription of the word 'Liberty,' and the year of the coinage; and upon the reverse of each of the gold and silver coins there shall be the figure or representation of an eagle, with the inscription, 'United States of America' and upon the reverse of each of the copper coins, there shall be an inscription which shall express the denomination of the piece, namely, cent or half cent, as the case may require." [1] It authorized 10 denominations of coins. The gold coins were: a $10 Eagle; a $5 Half Eagle; a $2.50 Quarter Eagle. Silver coins authorized were: a dollar, half dollar, quarter dollar, dime, and half dime. In copper, the cent and half cent were struck, although neither of these had legal tender status. The United States Mint, under the direction of David Rittenhouse, began coining money at Philadelphia in 1793.

Production began with the minting of copper half cents and cents. Silver coinage was minted beginning in 1794 with half dimes, half dollars and dollars; silver dimes and quarter dollars were minted in 1796. Gold coinage was minted in 1795 with the Half Eagle ($5) and the Eagle ($10); followed by the Quarter Eagle ($2.50) in 1796.

During the early years of the U.S. Mint, not all denominations were struck in all years. Silver dollars were not struck from 1804 until 1836. Gold Eagles ceased being produced in 1804 also, and resumption of their minting did not occur until 1838. Production of the other denominations was sporadic except for the cent. A fire at the Mint resulted in no cents being struck in 1815, but otherwise the chain has been unbroken since 1793.

Between 1849 and 1857, various pieces of legislation resulted in new denominations of coins to meet the country's growing monetary demands. As a result of the beginning of the American Civil War in 1861, massive hoarding of coins necessitated the creation of coinage substitutes such as postage stamps, privately produced copper-alloy tokens, and finally, the first Federal paper money.

The Act of February 12, 1873—sometimes called the "Crime of '73"—among other things, resulted in the abolition of four denominations: the 2-cent coin, the silver 3-cent coin, the half dime, and the silver dollar. A Trade silver dollar was authorized for use by merchants in the Orient. A year later, Congress revoked that coin's legal tender status in the United States. Legislation in 1875 and 1878 resulted in two new silver pieces respectively: the 20-cent piece, and the reinstitution of the standard silver dollar. Coinage denominations in use continued unchanged through 1889, at which time the gold dollar and gold $3 were struck for the last time.

Since the Mint Act of 1875, only two new denominations have been authorized: in 1915, a gold $50 piece was authorized to commemorate the Panama-Pacific Exposition held in San Francisco. In 1986, the first $25 gold coin was authorized—the American Eagle half-ounce bullion coin; the $50 gold piece was also revived in the form of the American Eagle one-ounce bullion coin, Act of Decem-

[1] Don Taxay, *The U.S. Mint and Coinage. An Illustrated History From 1776 to the Present.* Sanford J. Durst Numismatic Publications, New York, 1983.

ber 17, 1986, Pub. L. No. 99–185. None of these coins were intended for general circulation.

HISTORY OF U.S. COIN DESIGNS

The history behind the designs of United States coinage encompasses artistic endeavor, repetition of themes, political favortism, and criticism. Legislation enacted nearly 200 years ago affect coin designs even today. The Mint Act of April 2, 1792 specified certain design features and legends appear on all coins authorized. On one side was to be an impression symbolic of Liberty, as well as the word "Liberty" and the year of striking. The word "Liberty" and the date of striking still appear on the obverse of our coins today. For more than 115 years, Liberty was portrayed by allegorical female figures, either a bust or a full-length portrait. Because the Mint Act of 1792 required only that the denomination appear on the reverses of the copper coins, the Mint engravers were relatively free to experiment. However, experimentation lent itself to criticism. For example, the design on the reverse of the first cents in 1793 lasted only months, due to harsh criticism. The design—a 15-link chain—was meant to represent the unity of the 15 states. However, the public's perception was that the chain was symbolic of enslavement and represented a "bad omen" for Liberty.

Several events took place in the mid-1830's that were to affect coin designs for decades. Among them was the Act of January 18, 1837, which eliminted the need for an eagle on the reverses of the half dime and dime. The introduction of the "Seated Liberty" design on the obverse of the silver dollar and the Flying Eagle design on its reverse in 1836 ushered in an era of uniformity. The Seated Liberty was placed on the half dime and dime in 1837, the quarter dollar in 1838, and the half dollar in 1839. The Seated Liberty design was finally retired at the end of 1891. Eagles appeared on the new quarter dollar and half dollar in 1837; and the dollar received a new eagle design in 1840 which was similar to those on the quarter and half dollar. Gold coins, too, adopted a uniform look. The Coronet (or Liberty Head) design appeared on the Eagle in 1838; on the Half Eagle in 1839; and on the Quarter Eagle in 1840. The Coronet design was used for both the gold dollar and Double Eagle in 1849. Only the redesign of the gold dollar in 1854 broke this uniformity, when the Coronet figure was replaced with a pseudo-Indian head portrait, designed by James Longacre.

Several non-allegorical designs began to appear on our coinage in the 1850's. The obverse of the silver 3-cent piece is a six-point star. The reverse is the Roman numeral III inside a large letter "C". The obverses of the 2-cent piece and 5-cent piece have shields. The silver dollar was reinstated in 1878 with a Liberty Head design on the obverse and an eagle on the reverse. This silver dollar, which reinstate the Liberty motif, is often referred to as the "Morgan" dollar, named after the Mint's Engraver George T. Morgan, who created the design.

The "Golden Age of U.S. Coin Designs" began in 1907 when Augustus Saint-Gaudens, a renown U.S. sculptor, was asked by President Theodore Roosevelt to create coin designs that Roosevelt hoped would rival those of ancient Greece. Saint-Gaudens' designs

were chosen for the $10 Eagle and $20 Double Eagle gold coins. The $10 coin depicts an allegorical Liberty Head wearing an Indian headdress on the obverse, and a Standing Eagle on the reverse. The Double Eagle depicts a Standing Liberty with rays of the sun behind her on the obverse, and a Flying Eagle design on the reverse. Saint-Gaudens' Liberty design on the Double Eagle (1907–1933) has been considered by many as one of the most beautiful coin designs ever, and was chosen for the obverses of the American Gold Bullion coins struck since 1986. Pub. L. No. 99–185.

This "golden age" continued into 1908 when new designs for the Quarter Eagle and Half Eagle gold coins were commissioned. Both coins depicted an American Indian on the obverse, and a Standing Eagle on the reverse. These were the first true Indians to appear on United States coins.

DESIGN HISTORY OF CURRENT COINS

Lincoln Cent.—The first of our most familiar coinage was introduced in 1909. When the Lincoln cent was first struck and circulated that year, it marked a radical departure from traditional coinage designs. It was the first time the portrait of a real person appeared on circulating coins. Public sentiment created by the 100th anniversary celebration of Abraham Lincoln's birthday provided the impetus to completely break with the tradition of using allegorical representations on circulating coins. President Theodore Roosevelt had been so impressed by the work of sculptor Victor David Brenner that he singled him out for the task of designing the Lincoln cent.

Brenner adapted a Lincoln portrait from a plaque he had previously created. Besides the required inscriptions—"Liberty" and the date—the motto "In God We Trust" was added to the obverse of the cent for the first time. Interestingly, it was during Lincoln's tenure of office that Congress had passed the Act of March 3, 1865 which authorized the use of this expression on United States coins. However, it had been used only sporadically until 1909. A simple design was selected for the reverse. It consisted of two ears of wheat in "memorial" style. In the center of the coin were the denomination and "United States of America"; while curving around the upper border was the national motto, "E Pluribus Unum." The Lincoln cent was put into circulation on August 2, 1909.

It was in 1959 that the reverse of the Lincoln cent was redesigned, to coincide with Lincoln's 150th birthday. Frank Gasparro, Assistant Sculptor-Engraver of the U.S. Mint, designed and executed the now-familiar Lincoln Memorial reverse. It went into circulation on February 12, 1959. Under title 31, the Secretary of the Treasury has the discretionary authority to select new coin designs as follows: "The Secretary may change the design . . . of a coin only once within 25 years of the first adoption of the design . . . for that coin." Section 5112(d)(2) of title 31, United States Code. No legislation was required to change the design of the reverse of the cent, ad the "wheat" cent had been in circulation for more than the required 25 years.

Jefferson Nickel.—The Thomas Jefferson Nickel was introduced into circulation on November 15, 1938, after a national contest was

held for the obverse and reverse designs. The coin was designed by Flex Schlag of Chicago, IL, who because a naturalized citizen in 1929. The Jefferson portrait is on the obverse; and the likeness of Monticello, the President's home in Virginia, is on the reverse. These designs replaced the famous "buffalo" nickel. Oddly, the design for which that nickel is most often remembered is the reverse design, while the obverse is that of the American Indian.

Even though law did not yet require the phrase IN GOD WE TRUST to appear on the nickel, it was placed on the nickel at the request of the then-Director of the Mint, Nellie Tayloe Ross. It was the first time that motto had appeared on the five-cent piece since 1883.[1]

Roosevelt Dime.—Soon after President Franklin D. Roosevelt died in 1945, letters from all around the country poured into the Treasury Department urging his portrait be placed on a U.S. coin. The dime was most frequently suggested, as President Roosevelt had been a strong advocate of the March of Dimes drives to raise money for the Infantile Paralysis Fund. Because the then-current Winged Liberty Head design had been on the dime over 25 years, no special legislation was required to approve the new design. John R. Sinnock, Chief Sculptor-Engraver of the U.S. Mint, executed the designs. Roosevelt's portrait appears on the obverse; in the center of the reverse is a torch with an olive branch on the left and an oak branch on the right. The Roosevelt dime was released into circulation on January 30, 1946—the late President's birthday.

Washington Quarter.—An Act of Congress was required to replace the Standing Liberty design on the quarter, as it had not been on the coin for the required 25 years (1916–1930). Congress passed the authorization act on March 4, 1931, to commemorate the 200th birthday of George Washington. John Flanagan's designs were selected from among 100 models submitted. Although the Treasury Department worked in close cooperation with the Commission of Fine Arts, the Commission did not agree with the Treasury Department's design selection. Because the law gives the Secretary of the Treasury the right to make the final selection, the work of Flanagan was chosen over the Commission's objections. Section 5112(b)(2) of title 31, United States Code, The Washington quarter was released to the public on August 1, 1932.

The obverse of the coin shows the portrait of Washington. The reverse shows an eagle with its wings spread, standing on a shaft of arrows. Beneath the eagle are two sprays of olive leaves.

Kennedy Half Dollar.—John Fitzerald Kennedy was inaugurated President of the United States on January 20, 1961. His assassination on November 22, 1963 resulted in tremendous public sentiment to memorialize him. On December 10, 1963, President Lyndon B. Johnson sent a request to Congress for legislation authorizing the Treasury Department to mint new half-dollars with Kennedy's likeness. An Act of Congress was required to do this, as the Benjamin Franklin half-dollar design had not been on the coin for 25

[1] It wasn't until legislation was approved on July 11, 1955 that the motto "In God We Trust" was required to appear on all coins of the United States. Acts passed on April 22, 1864, March 3, 1865, February 12, 1873, and May 18, 1908 made it mandatory on various other coins in circulation at those times.

years (1948–1963). Legislation was passed on December 30, 1963 authorizing the U.S. Mint to begin production of the Kennedy half-dollar. Pub. L. No. 88–256.

Gilroy Roberts, Chief Sculptor-Engraver of the U.S. Mint, had been working on a portrait of Kennedy for a presidential medal before the President's death. Roberts' portrait was adapted and scaled down for the coin. Frank Gasparro, of the Philadelphia Mint staff, executed the reserve of the half-dollar. The coat of arms of the President of the United States was selected. The eagle faces to its right—traditionally the direction of honor—and also toward the olive branches (for peace) which it holds in its right talon. Arrows (symbolic of war) are held in its left talon. Twenty-six million half-dollars were released directly to the Federal Reserve banks and branches for simultaneous distribution to the public through the commerical banking system on March 24, 1964.

Susan B. Anthony Dollar.—President Jimmy Carter signed legislation on October 10, 1978 authorizing the smaller-sized 1.042 inches in diameter) Susan B. Anthony dollar coin. Pub. L. No. 95–447. This coin replaced the larger (1.500 inches in diameter) Dwight D. Eisenhower dollar, which circulated from 1971–1978.

Frank Gasparro, Chief Engraver-Sculptor of the Mint, designed the obverse and reverse. The obverse contains the portrait of Susan B. Anthony and has interior markings to simulate a multi-sided coin—ostensibly to help the visually impaired identify the coin, but also to give it a measure of distinction. The reverse depicts the bald eagle symbolic of the Applo II spaceship christened "The Eagle", landing on the surface of the moon, clutching on olive branch in both claws. The receding earth appears above the eagle's head. The 13 stars surrounding the eagle represent the first states of the Union.

The first coins were struck at the Philadelphia Mint on December 13, 1978, with 1979 dates. The Mint mark "P" was used for the first time since the "Wartime" nickels of World War II. Despite the hope that using the Anthony dollar coins would save the Treasury Department $30 million a year because of a reduced demand for $1 Federal Reserve notes, the Anthony dollar coin never successfully circulated. None have been produced since 1981, although the law authorizing the dollar coin is still extant. The Susan B. Anthony dollar coin design is not eligible for redesign until the year 2004.

Summary of the Legislation

As ordered reported by the Banking Committee, the bill "To modernize United States circulating coin designs" authorizes the Secretary of the Treasury to select and mint new designs for the reverses of the half-dollar, quarter, dime, nickel, and cent. The first coin chosen for redesign shall have a design commemorating the 200th anniversary of the United States Constitution. This design will remain on that coin for a period of two years, after which that Bicentennial coin shall be redesigned also. Obverses shall contain the likenesses of those currently on, but may be considered for redesign. Phase-in of the redesigning of the five circulating coins shall take place over a six-year period. Any profits resulting from the sale of numismatic items of the newly designed coins shall be

deposited in the general fund of the Treasury and be used to reduce the national debt.

Five amendments were offered during the mark-up. Senator Cranston offered an amendment in the nature of a technical correction to insert "United States Code" in three places where it had inadvertently been left out. This was approved. Senator Cranston next offered an amendment to *Section 4: Selection of Designs.* His amendment specified that the Secretary shall consider, among others, thematic representations of specifically named constitutional concepts. Senator Gramm offered a second degree amendment to Senator Cranston's amendment to include themes from the Bill of Rights. Both were accepted. Senator Cranston's third amendment dealt with the trend of using American coins to commemorate its Presidents. He noted that in the first 116 years of American coinage, coins bore symbols of liberty almost exclusively. It was not until 1909 that the likeness of a President was placed on a coin. S. 1776 would continue this trend by virtue of mandating the Presidential likenesses remain on the obverses. Senator Cranston's amendment proposed that only three of the five coins continue to display Presidential portraits. The other two coins would depict allegorical designs, such as proposed earlier.

This amendment generated a discussion as to who determines which Presidents would be removed and its consequences. Senator Cranston withdrew his amendment. Senator Sarbanes then raised the question of whether section 3 of S. 1776 has the effect of locking in the Presidential portraits in perpetuity. Staff noted that under current law (section 5112(d)(2) of title 31, United States Code), the Secretary of the Treasury has discretion on that issue.

Staff further replies that it was never the intent of S. 1776 to take away this discretionary authority from the Secretary, nor to lock in the Presidential portraits. The intention of section 3 was to retain the Presidential portraits only during the period of the redesign of the reverses.

The fifth amendment was offered by Senator D'Amato after a discussion ensued as to whether the inscriptions currently on the coins could be considered for revision or elimination. Staff replied that S. 1776 in no way affects section 5112(d)(1) of title 31, United States Code. That section mandates the following inscriptions on the obverse: "Liberty, In God We Trust," and the date of issuance; the reverse shall contain: "United States of America, E Pluribus Unum," and a designation of the value of the coin. Senator D'Amato's amendment added a sentence to sections 2 and 3 of this Act to make it clear that all redesigned obverses and reverses shall conform with inscription requirements set forth in section 5112(d)(1).

Section-by-Section Analysis

Section 1—Denominations, Specifications, and Design of Coins

The requirement that the Eagle appear on the reverse of the quarter dollar and half dollar has been eliminated in section 5112(d)(1) of title 31, United States Code. This permits the Secretary to consider any designs for the reverses of these coins.

Section 2—Design Changes Required for Certain Coins

The reverses of the half-dollar, quarter dollar, dime coin, 5-cent coin, and one-cent coin shall be selected for redesigning. One or more coins may be selected at the same time. However, the first redesigned coin shall have a design commemorating the 200th anniversary of the United States Constitution for a two-year period. After that time period, the Bicentennial Constitution coin shall be redesigned according to the provisions of subsection 5112(d) of title 31, United States Code, as amended.

Selection and minting of the first redesigned coin shall take place within one year after the date of enactment of this Act. All redesigned coins shall contain the mandated inscriptions as defined in subsection (d)(1) of section 5112.

Section 3—Design on Obverse Side of Coins

Subject to Section 5112(d), the designs on the obverses of the five coins shall retain the likenesses of those currently on them, and be considered for redesign. All obverses shall contain the mandated inscriptions as defined in subsection (d)(1) of section 5112.

Section 4—Selection of Designs

Design changes authorized for each coin will take place at the discretion of the Secretary of the Treasury, at the rate of one or more coins per year. All redesigned coins will be phased in over 6 years after the enactment of this Act.

For new designs, the Secretary is directed to consider, among other factors, thematic representations of the following constitutional concepts: freedom of speech and assembly; freedom of the press; right to due process of law; right to a trial by jury; right to equal protection under the law; right to vote; themes from the Bill of Rights; and separation of powers, including the independence of the judiciary. Designs shall be selected by the Secretary upon consultation with the United States Commission of Fine Arts.

Section 5—Reduction of the National Debt

Profits received from the sale of uncirculated and proof sets of the redesigned coins will be deposited in the general fund of the Treasury and used to reduce the national debt.

Regulatory Impact Statement

Pursuant to Rule XXVI, paragraph 11(b), of the Standing Rules of the Senate, the Committee has evaluated the regulatory impact of the bill and concludes it would result in no increase in the regulatory burden imposed by the Government.

Changes In Existing Law

The Committee has determined that it is necessary, in order to expedite the business of the Senate, to dispense with the requirements of Rule XXVI, paragraph 12, of the Standing Rules of the Senate, with respect to this legislation.

COST OF LEGISLATION

The Committee has requested a cost estimate of this legislation under the provision of section 403 of the Congressional Budget Act of 1974. The cost estimate of the Congressional Budget Office appears below:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, June 22, 1988.

Hon. WILLIAM V. PROXMIRE,
Chairman, Committee on Banking, Housing, and Urban Affairs, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the attached cost estimate for S. 1776, a bill to modernize United States circulating coin designs, of which one reverse will have a theme of the Bicentennial of the Constitution.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

JAMES L. BLUM, *Acting Director.*

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: S. 1776.

2. Bill title: A bill to modernize United States circulating coin designs, of which one reverse will have a theme of the Bicentennial of the Constitution.

3. Bill status: As ordered reported by the Senate Committee on Banking, Housing, and Urban Affairs, May 24, 1988.

4. Bill purpose: The bill would authorize the Secretary of the Treasury to redesign, over a six-year period, the reverse side of the half dollar, quarter dollar, dime coin, five-cent coin, and one-cent coin. The bill would direct that the profits from the sale of uncirculated and proof sets of these coins be deposited in the general fund of the Treasury.

5. Estimated cost to the Federal Government:

[By fiscal year, in millions of dollars]

	1989	1990	1991	1992	1993
Additional cost of mining new coins:					
Estimated authorization level	(1)	1	1	1	1
Estimated outlays	(1)	1	1	1	1
Net additional profit from sale of numismatic coins and interest savings from seigniorage:					
Estimated Budget Authority		−5	−8	−12	−16
Estimated Outlays		−5	−8	−12	−16

[1] Less than $500,000

The budget impact of this bill falls within budget functions 800 and 900.

Basis of estimate: This estimate assumes that the bill will be enacted before October 1, 1988, and that the Mint would issue the first new coin around January 1, 1990.

Estimates of the costs associated with designing and producing the new coins (about $1 million per year) and of the receipts from the sale of numismatic sets (about $3 million per year) are based on information from the Mint. The Mint estimates are based on the production costs and receipts from similar coins. The cost of minting new coins would be funded through the appropriation process.

6. Financing mechanism: Based on information from the Mint, we expect production of the new coins would result in about $155 million in additional seigniorage over the 1990–1993 period, thus reducing the Treasury's borrowing needs by a corresponding amount.

Seigniorage is the difference between the face value of a coin and the cost of producing it. When coins are minted, the federal government accrues seigniorage. However, seigniorage is not an on-budget receipt and does not affect the deficit. Rather, it increases the cash balances of the Treasury and reduces the amount the Treasury has to borrow from the public, thereby reducing the government's interest payments.

Because the public's interest in the redesigned coin is likely to result in a greater than normal withdrawal of the new coins from circulation, the Mint would have to produce a larger quantity of coins than if the coins' designs remained unchanged, thereby increasing the amount of seigniorage that the government would accrue. The redesigned coins are expected to produce additional seigniorage above the normal levels by about $36 million in 1990. $42 million in 1991, $47 million in 1992, and $30 million in 1993. The reduction in borrowing that would result from this increased seigniorage would reduce federal interest costs by $29 million over the 1990–1993 period.

7. Estimated cost to State and local governments: None.

8. Estimate comparison: In testimony presented to the Senate Committee on Banking, Housing and Urban Affairs on April 22, 1988, the Director of the Mint stated that it would cost $7.85 million over a six-year period for engraving, testing, and producing the new coins required by the bill. In addition, the Director testified that, based on past demand for numismatic coins, the government would receive an estimated $3 million in additional profit annually from the sale of proof and uncirculated sets of the redesigned coins. CBO's estimate of S. 1776 is consistent with the Mint's estimates.

9. Previous CBO estimate: None.

10, Estimate prepared by: James Hearn.

11. Estimate approved by: C.G. Nuckols (for James L. Blum, Assistant Director for Budget Analysis).

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